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Disconnecting Outcomes and Evaluations: The Role of Negotiator Focus

Adam D. Galinsky
Northwestern University

Thomas Mussweiler
Universität Würzburg

Victoria Husted Medvec
Northwestern University

Three experiments explored the role of negotiator focus in disconnecting negotiated outcomes and evaluations. Negotiators who focused on their target prices, the ideal outcome they could obtain, achieved objectively superior outcomes compared with negotiators who focused on their lower bound (e.g., reservation price). Those negotiators who focused on their targets, however, were less satisfied with their objectively superior outcomes. In the final experiment, when negotiators were reminded of their lower bound after the negotiation, the satisfaction of those negotiators who had focused on their target prices was increased, with outcomes and evaluations becoming connected rather than disconnected. The possible negative effects of setting high goals and the temporal dimensions of the disconnection and reconnection between outcomes and evaluations are discussed.

Given that so many important aspects of life depend on the outcomes of negotiations, it seems natural that people try to maximize their potential gains when negotiating with others. To procure beneficial outcomes, negotiators should set aggressive, motivating goals for themselves. In fact, many negotiators do set high goals (Kelley, 1966), and there is a relationship between the extremity of these goals and negotiated outcomes; more extreme goals produce more favorable outcomes (White & Neale, 1994). But, we hypothesize, although aggressive goals can improve performance and increase the value of negotiated outcomes, they can also become a subjective curse. Although striving to achieve their goals allows people to maximize their objective outcomes, they often do not fully achieve all of their dreams and desires. A goal that inspired them may become, in the postnegotiation evaluation phase, a vexing standard of comparison.

In this article we explore the effects that negotiator focus has on negotiated outcomes and on the evaluations of those outcomes. There are multiple points within a negotiator's bargaining position, from target price—the ideal or most preferred outcome—to a minimally acceptable settlement price on which a negotiator can focus. In three experiments, we demonstrate that these disparate points of a negotiator's bargaining position have a differential—and paradoxical—impact on outcomes and evaluations. Those focal points, such as target prices, that guide negotiators toward beneficial outcomes also lead negotiators to feel dissatisfied with those objectively superior outcomes. On the other hand, minimally acceptable settlement points, or lower bounds—such as reservation prices and the best alternative to a negotiated agreement (BATNA)—lead negotiators toward suboptimal outcomes but leave them pleased and content with those outcomes.

The experiments reported here extend research and theory by demonstrating a systematic disconnection between outcomes and evaluations in negotiations. Previous experiments on negotiations have only investigated the effect of focal points on either objective outcomes (White & Neale, 1994) or evaluations (Thompson, 1995) but have not investigated the differential impact of negotiator focus on both outcomes and evaluations in the same experiment. In addition, previous experiments have only explored perceptions of negotiator satisfaction in hypothetical negotiations, whereas the current research uses actual negotiations. In the present research we show that the disconnection between outcomes and evaluations occurs regardless of whether target prices are exogenously provided (Experiment 1) or are self-generated (Experiments 2 and 3). Finally, we show that when negotiators focus on a target price in the preparation stage and later focus on a minimally acceptable point (i.e., BATNA) in the evaluation phase, outcomes and evaluations can become reconnected rather than disconnected, with better outcomes producing higher levels of satisfaction. Thus, not only do we demonstrate a disconnection between negotiated outcomes and evaluations, we also explore mechanisms for their reconnection. Which focal point is attended to, and when, deter-

Adam D. Galinsky and Victoria Husted Medvec, Department of Management and Organizations, Kellogg School of Management, Northwestern University; Thomas Mussweiler, Department of Psychology, Universität Würzburg, Würzburg, Germany.

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Correspondence concerning this article should be addressed to Adam D. Galinsky, Department of Management and Organizations, Leverone Hall, Kellogg School of Management, Northwestern University, 2001 Sheridan Road, Evanston, Illinois 60208. E-mail: agalinsky@northwestern.edu

mines whether evaluations become connected or disconnected to the outcomes achieved in a negotiation.

Maximizing Objective Outcomes

How can negotiators achieve an advantage at the bargaining table? What factors determine the value of negotiated outcomes? Classic negotiation theory (Raiffa, 1982; Walton & McKersie, 1965), with its root in game theoretic bargaining models, focuses on negotiators' lower bound,[1] such as reservation price, in predicting outcomes. Reservation price refers to the point at which the negotiator is indifferent between reaching a settlement and walking away from the negotiation; that is, it is a minimally acceptable point. According to these theories, negotiators should reach an agreement when there is a positive bargaining zone, that is, when the buyer's reservation price is above the seller's reservation price (Raiffa, 1982). Previous research has shown that manipulating the value of negotiators' reservation prices reliably affects outcomes (White, Valley, Bazerman, & Neale, 1994). Other economic models, such as market models, take an aggregate approach to determining negotiated outcomes; they assume that prices will settle at the intersection between the demand and supply curves, or the equilibrium between the aggregate of seller's and buyer's price preferences within a market. Each of these economic models considers factors that are unrelated to reservation prices or aggregated market equilibrium to be irrelevant to predicting settlement prices.

In marked contrast to this assumption, however, negotiation processes and outcomes depend heavily on which goals and standards are made salient before, during, and after the negotiation. For example, a recent set of studies showed that the final outcome in a distributive negotiation depends largely on whether the buyer or the seller is allowed to introduce a standard by making the first offer: When a buyer made the first offer the final settlement price was lower than when the seller made the first offer (Galinsky & Mussweiler, 2001). First offers serve as anchors to which the final settlement price is assimilated.

In many domains, the goals that one sets have reliable effects on performance. Specific and challenging goals improve task performance compared with vague goals such as "do your best" by increasing both effort and persistence; as the difficulty of the goal increases, so does performance, even when the goals are set extremely high (Locke & Latham, 1990). The fact that goals affect performance on a wide range of tasks, from the mental to the physical, suggests that the goals negotiators set may affect negotiated outcomes. In fact, prior research has demonstrated that one's goals in a negotiation can have strong effects on the negotiated outcome (Blount, Thomas-Hunt, & Neale, 1996; White & Neale, 1994). White and Neale (1994), for example, found that in the presence of a stable bargaining zone, manipulating the negotiators' target prices significantly affected settlement prices; specifically, giving negotiators higher target prices improved their performance. Negotiators who focus on their target price can also overcome the anchoring effect of their opponent's first offer (Galinsky & Mussweiler, 2001).

These findings make clear that focusing on a high goal or standard (e.g., a seller's first offer, a high target) produces a higher outcome than does focusing on a low goal or standard (e.g., a buyer's first offer, a low target). Contrary to traditional economic models of bargaining, the objective outcomes of negotiation often depend on what goals and standards are made salient in the negotiation situation.

Although prior research examining the effects of goals in the negotiation domain has simultaneously manipulated the values of the negotiators' reservation prices and target prices (White et al., 1994), it has not manipulated on which point, either their lower bound or their target prices, negotiators focused. Although it is clear that the extremity of a negotiator's target price can affect his or her outcome, it remains unclear whether simply focusing on one's target price rather than on one's lower bound, a minimally acceptable point, affects a negotiator's outcomes in a positive direction. We predicted that having a negotiator focus on his or her target price for the negotiation would serve as a motivating and challenging goal and ultimately lead to more beneficial outcomes, compared with having a negotiator focus on his or her lower bound. To this end, we manipulated whether one of the negotiators in a dyad focused on his or her target price or on his or her lower bound.

Disconnecting Outcomes and Evaluations

How are outcomes and evaluations connected? One might expect that the more a person gets in a negotiation, the better he or she feels about it. Are evaluations indeed primarily determined by the objective outcomes one has achieved? Do negotiation strategies that lead one to achieve an objectively better outcome also increase one's satisfaction? To answer these questions about the relation between objective outcomes and evaluations of those outcomes, one has to examine the processes that underlie the generation of evaluations of negotiated agreements.

Although the negotiation literature has almost exclusively focused on objective outcomes (Thompson, 1990) and has frequently overlooked subjective concerns (for an exception, see Clyman & Tripp, 2000), the social judgment literature has dealt extensively with the construction of subjective evaluations (for an overview, see Eiser, 1990). One core principle that emerges from this literature is that every evaluation is relative or comparative in nature. To decide whether a given outcome is good or bad, satisfying or frustrating, one has to compare it with a pertinent norm or standard. Whether an increase in salary, for example, is reason for elation or distress depends not only on its absolute magnitude but also on its relative qualities. One may be very content about having negotiated a 10% raise if one learns that a colleague only got a 5% raise but be bitterly disappointed if that colleague received a 15% raise. Not only does the evaluation of an objective outcome depend heavily on comparison with a salient standard, but the evaluative effect of a salient standard of comparison is typically contrastive in nature (Kahneman, 1992; Kahneman & Tversky, 1979). That is, considering a high standard typically leads to less favorable evaluations of an objective outcome than does considering a low standard.

[1] For buyers, the lower bound is the maximum price they are willing to pay for an item; this means that a buyer's target price is lower than his or her reservation price, whereas a seller's target price is higher than his or her reservation price. Thus, reservation price refers to the minimum (for the seller) or maximum (for the buyer) acceptable settlement price within the current negotiation.

Empirical evidence supports the notion that comparisons may play a more important role in determining evaluations of negotiated outcomes than the economic value of those outcomes (Galinsky, Seiden, Kim, & Medvec, 2002; Loewenstein, Thompson, & Bazerman, 1989; Thompson, 1995). People evaluate their negotiated outcomes using not only absolute payoffs but *interpersonal* comparisons as well; perceived relative gain, the comparison of one's own outcomes with those of the other party, is often a more important predictor of satisfaction than is the absolute value of the negotiated outcome (Loewenstein et al., 1989). Similarly, the affect of one's opponent produces contrastive effects on one's own satisfaction (Thompson, Valley, & Kramer, 1995). Furthermore, individuals also use *intrapersonal* comparisons with a salient reference point in determining their evaluations of negotiated outcomes (Thompson, 1995). Deviations from expected outcomes are a more powerful predictor of satisfaction than are the actual objective outcomes that negotiators achieve (Oliver, Balakrishnan, & Barry, 1994). Intrapersonal comparisons can sometimes lead to a systematic disconnection between the objective value of an outcome and evaluations of that outcome. Medvec, Madey, and Gilovich (1995) found that counterfactual thoughts can lead those who perform objectively better to feel worse than those whom they outperform (see also Galinsky et al., 2002). They found that Olympic athletes who won silver medals were rated as appearing less satisfied than were athletes who won the bronze, despite the better objective finish for the silver medalists.

The above analysis makes clear that both objective outcomes and subjective evaluations appear to depend on salient focal points. It is important to note that the direction of influence goes in opposite directions for outcomes and evaluations. Whereas the value of an outcome is typically assimilated toward (i.e., becomes more consistent with) a salient focal point, evaluations are typically contrasted away from (i.e., become less consistent with) a salient focal point. Thus, to the extent that negotiators focus on the same goal or standard during the negotiation process and during the postnegotiation evaluation phase, the same focal point may have divergent effects on objective outcomes and evaluations. This notion that negotiator focus can have contradictory effects on outcomes and evaluations is supported by evidence that when the values of reservation prices and target prices are simultaneously manipulated, reservation price is a better predictor of objective outcomes than is target price (White et al., 1994), but target price is a better predictor of evaluations than is reservation price (Thompson, 1995). It should be noted that previous research has not compared the differential impact of negotiator focus on both outcomes and evaluations in the same experiment and that the Thompson experiments only involved perceptions of negotiator satisfaction in hypothetical negotiations. It leaves open the question of whether the same behavior by a negotiator (focusing on a target price) could produce both high objective outcomes and low satisfaction.

The research on goal setting supports this hypothesis. Mossholder (1980) was one of the first to observe a disconnection between outcomes and evaluations: Being assigned a high goal tended to increase task performance but decrease task satisfaction. This result suggests that goals can sometimes undermine intrinsic task satisfaction, similar to the way that rewards can undermine intrinsic motivation (Lepper, Greene, & Nisbett, 1973). Mento, Locke, and Klein (1992) found that the extremity of goal setting was inversely related to satisfaction with expected outcomes, and Garland (1983) found evidence that improved performance caused by choosing or being assigned high goals led to decreases in satisfaction with that performance. Similarly, comparing oneself with a high goal can improve performance on an intellectual task but leave one questioning one's overall intelligence (Mussweiler & Strack, 2000a).

The above research suggests that extreme goals can often lead to a systematic disconnection between objective outcomes and satisfaction. It should be noted that all of the above research has been conducted on individually based tasks. A participant gets assigned a high or low goal, then performs a simple task (e.g., an anagram task). In the present experiments, performance is not autonomous. Because the negotiations in the present experiments are distributive in nature, outcomes are zero sum; more for one negotiator necessitates less for the other negotiator. Thus, the negotiators who are focused on their target prices have to convince their opponents to accept a less favorable outcome. In addition, in competitive social interaction there are a number of variables other than focal points that may determine levels of satisfaction. For example, negotiators may focus on their opponent's affect to determine their satisfaction (Thompson et al., 1995), and this random variance may override any systematic effect of focal points on satisfaction. Because outcomes are contingent on mutual agreement, focusing on one's target price may lead neither to better outcomes nor to feelings of dissatisfaction. The disconnection between objective outcomes and satisfaction may not emerge in competitive social interaction.

In three experiments, we examine whether a disconnection between outcomes and evaluations exists in negotiations: Within a negotiation, does focusing on one's target price lead to better objective outcomes but less satisfaction with these outcomes than does focusing on a minimally acceptable point? We predicted that having negotiators focus on their target price would serve to improve outcomes but to decrease satisfaction compared with having them focus on their reservation price or BATNA.

However, in the final experiment we demonstrate that negotiators can harness the differential effects of negotiator focal points to their advantage, thereby allowing outcomes and evaluations to become reconnected, with superior outcomes producing higher levels of satisfaction. By focusing on their target prices before and during the negotiation, negotiators can take advantage of the motivating effects of ambitious goals and achieve objectively superior outcomes. By focusing on their BATNAs after the negotiation, negotiators can take advantage of the contrastive component of evaluative standards and feel satisfied with their outcomes. Previous research has not investigated the possibility that outcomes and evaluations, once disconnected, may become reconnected through the introduction of an alternative focal point.

Experiment 1

Method

Participants and design. Participants were 62 master's of business administration (MBA) students at Northwestern University who were enrolled in a course on negotiations. The experiment was conducted in the 2nd week of the course. Thirty-one dyads took part in the negotiation. The experiment had a 2 (negotiator focus: target price vs. reservation price) $\times$ 2

(negotiated outcome vs. satisfaction) mixed design with repeated measures on the second factor

Procedure and stimulus materials. The experiment was conducted as a class exercise. Each negotiating dyad comprised a candidate and a recruiter. The recruiter represented CLB, an internationally renowned consulting firm located in New York. The candidate had already received an offer of employment from CLB, and most of the job package had already been negotiated, including salary, starting date, and benefits. The only remaining issue was the signing bonus.

Candidates were told that they were 2nd-year MBA students from a prestigious university and that they already possessed a job offer from another well-respected consulting firm in Boston. The bonus was emphasized as being extremely important to the candidate. For one, the candidate's spouse preferred to live in Boston, and, thus, the candidate needed some compensation to go to New York. Second, the candidate and his or her spouse were burned out after business school and wanted to take an extended, luxurious vacation. The bonus that the Boston firm offered the candidate was only $5,000, but the candidate had heard that bonuses of up to $30,000 had been offered to others in the consulting field. The candidate's spouse had agreed to come to New York only if the bonus from CLB was big enough to allow the European vacation. Candidates needed to get a bonus of at least $10,000 to make this happen, but that minimum bonus would not leave the spouse very excited. The last line of the role read, "You remember your spouse's last words on the phone: 'Get me to the Riviera and I will put up with New York.'"

The director of personnel with whom the candidate was negotiating was told that the firm was only hiring one recruit this year and that all the issues with the candidate had been finalized except the signing bonus. The director was told that under no circumstances could he or she offer a bonus of more than $20,000 (because, participants were told, that was the highest bonus the firm had ever paid) but that the firm would prefer to pay $5,000.

The candidate had a reservation price of $10,000 and a target of $30,000, whereas the director of personnel had a reservation price of $20,000 and a target of $5,000. Thus, the bargaining zone (the distance between the two negotiators' reservation prices) was $10,000. But note that the target price for each negotiator fell beyond his or her opponent's reservation price. Focusing on one's target could lead to an impasse, because that target would be beyond his or her opponent's reservation price.

The candidate's role was manipulated. The first page of the candidate's role information was entitled "Important Preparation Information." For the half of the candidates who were randomly assigned to the target condition, these instructions read, "It is important to focus on the ideal bonus you could get." For the other half of the candidates, who were assigned to the reservation price condition, these instructions read, "It is important to focus on the point on which you will walk away from this negotiation." After participants completed the negotiation, they were given a postnegotiation form. First, participants were asked to write down the final bonus amount that the two parties agreed to. Next, participants were asked to rate their satisfaction with the outcome on a 7-point scale ranging from *not satisfied* (1) to *very satisfied* (7).

Results and Discussion

Thirty-five percent (11 dyads) of the negotiations ended in impasse. Dyads in which the candidate focused on his or her target price tended to be more likely to reach an impasse (7 dyads) than were dyads in which the candidate focused on his or her reservation price (4 dyads), although this difference was not significant, $\chi^2(1, N = 31) < 1.00$.

For those candidates who were hired and received a bonus (i.e., reached an agreement), analyses were run on the amount of the bonus and levels of satisfaction. To compare the objective outcome and the evaluations of that outcome, we transformed the amount of the bonus and the satisfaction ratings to *z* scores. The *z* scores were submitted to a 2 (negotiator focus: target price vs. reservation price) × 2 (bonus vs. satisfaction) mixed model analysis of variance (ANOVA) with repeated measures on the second factor. The only significant effect was the predicted Condition × Repeated Measures interaction, $F(1, 18) = 4.89$, $p = .04$. Candidates who focused on their target price, the ideal bonus they could get, agreed to a higher bonus (M = $16,275.00, SD = $3,790.43) than did candidates who focused on their reservation price, the point at which they would walk away from the negotiation (M = $14,400.00, SD = $3,044.12). However, candidates who focused on their target price felt less satisfied with their objectively superior outcomes ($M = 3.60$, $SD = 1.26$) than did candidates who focused on their reservation price ($M = 4.40$, $SD = 1.08$). The pattern of data supports our hypothesis that negotiator focus would lead to a disconnection between objective outcomes and their evaluations. Negotiators who focused on their targets achieved objectively superior outcomes but were left dissatisfied with these outcomes. Although the pattern of data supports our hypotheses, the individual comparisons for both the objective outcomes (i.e., amount of bonus), $F(1, 18) = 1.49$, $p = .24$, and the satisfaction ratings, $F(1, 18) = 2.32$, $p = .15$, were not significant.

One reason for the high impasse rate and the lack of strength of the data might be that the stated aspirations of the candidate were far removed from the reservation price of the recruiter (in addition to the fact that the candidate's BATNA was good). Candidates were told that bonuses as high as $30,000 had been achieved by others in the consulting field, whereas recruiters were told that no one in their firm had ever received a signing bonus of more than $20,000; the candidates' target price (and believed market possibilities and parameters) was outside the reservation price of recruiters. It is not surprising that giving negotiators a target value that fell outside their opponent's reservation price resulted in impasses. White and Neale (1994) found just such an effect and declared that the relationship between a negotiator's target price and an opponent's reservation price can increase impasses even in the case of a positive bargaining zone, which they declared was a source of bargaining inefficiency. Another potential reason for the relatively low overall satisfaction ratings in the current study is that many of the negotiators in the study were currently going through the MBA job market. Their expectations coming into the negotiation could have influenced their levels of satisfaction. Given the high rate of impasse and the familiarity with the negotiation issue, it is not surprising that, overall, there were relatively low levels of satisfaction with outcomes.

Experiment 2

We conducted a second experiment that attempted to deal with a number of our concerns with, and to extend the results of, the first experiment. We chose as a negotiation topic the selling of a pharmaceutical plant, one with which the negotiators in the study would have little familiarity and few prior expectations. We also did not provide the negotiators with specific values for their target prices because we wanted to confirm the generalizability of the effect to situations in which target prices are not exogenously provided but are self-generated. We also used a different instantiation of a negotiator's lower bound (i.e., BATNA). White and Neale (1991) considered a BATNA to be similar to a reservation

price, with the differences stemming from the possible transaction costs and uncertainty of moving to one's BATNA. In addition, according to classic negotiation theory (Raiffa, 1982), negotiators should use their BATNA to set their reservation prices; a BATNA helps determine when a negotiator should walk away from the bargaining table. Finally, we also had the focal negotiator record his or her first offer (regardless of whether this offer came first or was the first counteroffer). We consider opening offers to be a useful proxy for the value of the negotiator's goal. We predicted that focusing on one's target price should lead to more extreme opening offers, resulting in objectively superior outcomes, compared with focusing on one's BATNA (Galinsky & Mussweiler, 2001).

Method

Participants and design. Participants were 56 MBA students at Northwestern University who were enrolled in a course on negotiations. The experiment was conducted in the 1st week of the course. Twenty-eight dyads took part in the negotiation. The experiment had a 2 (negotiator focus: target price vs. BATNA) × 2 (negotiated outcome vs. satisfaction) mixed design with repeated measures on the second factor

Procedure and stimulus materials. The negotiation involved the purchase of a pharmaceutical plant. Both the buyer and the seller were given the same general information. They were told that the plant for sale was located in an area that contained many start-up biotechnology firms and an experienced but highly mobile work force. Both negotiators were told that the seller purchased the plant 3 years ago for $15 million, which was below market value because the company that the seller had purchased the plant from was in bankruptcy. Both negotiators were also told that the plant was appraised 2 years ago for $19 million. They were further informed that the local real estate market had declined 5% since then but that the plant was a unique property and, thus, general real estate trends may not apply. In addition, they were told that a plant similar to this plant had sold for $26 million.

Participants in the role of the buyer were informed that they were the chief financial officer of the company in need of a new plant to manufacture a line of a highly specialized compounds and that one of the company's existing plants could not be modified. The buyer was told that the potential plant had a number of advantages and disadvantages. The advantages included that the plant was up and running, had Food and Drug Administration (FDA) approval, and had a highly educated and well-trained work force, if these individuals could be retained. The major disadvantage was that the plant was quite a distance from the company's headquarters and research and development facility.

Buyers were given a BATNA of building a new plant at a cost of $25 million. This new plant would take a year to be fully operational (including FDA approval) and would be close to headquarters.

Sellers were told that they were selling the plant because the company they represented was phasing out the product line that the plant produced. The sellers were also given a BATNA. They were told that the main alternative to this negotiation would be to strip the plant and sell the equipment separately. The projected profit would be $17 million if the plant were stripped.

The role of the buyer was manipulated. The manipulation occurred on the second page of the role information, in between the general information page and the confidential role information for the buyer. For the half of the buyers who were randomly assigned to the target condition, the instructions read, "When preparing your negotiation it is important to think about and focus on your target, the ideal price you could pay." For the other half of the participants, who were assigned to the BATNA condition, these instructions read, "When preparing your negotiation it is important to think about and focus on other potential alternatives that you have to this negotiated agreement. A clear understanding of these alternatives helps you determine when you should walk away from a negotiation." After participants completed the negotiation, they were given a postnegotiation form. Although we did not manipulate which member of the dyad made the opening offer, the first question asked participants what their opening offer had been. Next, participants were asked to write down the outcome of the negotiation. Finally, participants were asked to rate their satisfaction with the outcome on a 7-point scale ranging from *not satisfied* (1) to *very satisfied* (7).

Results and Discussion

All negotiating dyads reached an agreement. To compare the objective outcomes and the evaluations of these outcomes, we transformed the purchase price and the satisfaction ratings into *z* scores. Because a lower purchase price represented a better outcome for the buyer, we multiplied the transformed purchase price *z* scores by −1 so that a higher number would represent a better outcome. The *z* scores were submitted to a 2 (negotiator focus: target price vs. BATNA) × 2 (bonus vs. satisfaction) mixed model ANOVA with repeated measures on the second factor. The only significant effect was the predicted Condition × Repeated Factor interaction, $F(1, 26) = 7.53$, $p = .01$. Buyers who focused on their target price agreed to a lower purchase price (M = $20.24 million, SD = $2.14 million) than did buyers who focused on their BATNA (M = $22.14 million, SD = $2.78 million), $F(1, 26) = 4.12$, $p = .05$. However, buyers who focused on their target price ($M = 5.29$, $SD = 1.07$) felt less satisfied with their objectively superior outcomes than did buyers who focused on their BATNA ($M = 6.07$, $SD = .92$), $F(1, 26) = 4.36$, $p = .05$. The reported first offers were also analyzed. Buyers who focused on their target price reported making more extreme first offers (M = $15.98 million, SD = $3.57 million) than did buyers who focused on their BATNA (M = $20.18 million, SD = $3.77 million), $F(1, 25) = 8.78$, $p < .01$.[2]

Buyers' first offers were positively correlated with final price, $r(25) = .73$, $p < .001$, and negatively correlated with buyers' satisfaction, $r(25) = -.42$, $p = .03$. Lower first offers, ones more advantageous to the buyer, led to more superior outcomes but inferior evaluations. Because of these correlations, the repeated measures ANOVA between negotiator focus and purchase price/satisfaction was reconducted with reported first offer covaried out. Covarying out the effect of reported first offers eliminated the significant interaction, $F < 1.00$. In addition, separate analyses of covariance were conducted across the experimental conditions for purchase price and satisfaction. Covarying out reported first offer eliminated the significant effects of the experimental condition on both purchase price, $F < 1.00$, and satisfaction, $F(1, 24) = 1.40$, $p = .25$.

A difference score between buyers' first offers and their final purchase price was computed. Although buyers who focused on their target price got objectively superior outcomes, they showed a larger difference between their reported first offers and the final purchase price (M = $−4.39 million, SD = $2.93 million) compared with buyers who focused on their BATNA (M = $−1.96 million, SD = $2.46 million), $F(1, 25) = 5.46$, $p = .03$. In

[2] One participant did not report his final offer, and thus the degrees of freedom are lower for analyses involving first offers.

addition, this difference score showed a marginal correlation with the satisfaction ratings, $r(27) = .37$, $p = .06$.

Buyers who focused on their target price made lower, more advantageous first offers, which then produced better objective outcomes, compared with buyers who focused on their BATNA. First offers can be seen as an instantiation of negotiator focus and as a proxy for the value of the focal points. More aggressive first offers resulted in better outcomes, but because negotiators had to move more from their reported first offer (and away from their target price), they were less satisfied than were those negotiators who focused on their BATNA. These effects occurred even though target prices were self-generated rather than exogenously provided, as in Experiment 1.

Experiment 3

Across two experiments, we have found that focusing on one's target price increased objective outcomes but decreased satisfaction with those outcomes. The next experiment was conducted for a number of reasons. First, we wanted to replicate the pattern of data from the first two experiments to provide more evidence for a systematic disconnection between outcomes and evaluations. Second, we manipulated the seller's role to ensure that the results were not role specific. Third, it could be claimed in Experiment 2 that having participants write down their first offers along with their final outcomes may have led participants to believe that they "should" feel dissatisfied. And there is evidence that participants use questionnaire format, from response scales to question order, to infer implicitly the researcher's intention (Schwarz, 1999). To diminish the possibility that asking participants to write down their first offers confounds the results, in the next experiment we eliminated the question regarding opening offers from the postnegotiation questionnaire.

Finally, we wanted to see whether having negotiators focus on their BATNA after the negotiation could eliminate the decrements in satisfaction caused by focusing on one's target. Half the participants, after the negotiation but before they answered the satisfaction measure, were asked to write down what their main alternative to this negotiation was. We expected that having negotiators focus on their target before and during the negotiation but then identify their BATNA after the negotiation would lead to better objective outcomes without decrements in satisfaction, increasing the possibility that satisfaction would become connected rather than disconnected to outcomes.

Method

Participants and design. Participants were 74 MBA students at Northwestern University who were enrolled in a course on negotiations. The experiment was conducted in the 1st week of the course. Thirty-seven dyads took part in the negotiation, and the role of the sellers was manipulated. The experiment had a 2 (negotiator focus: target price vs. reservation price) × 2 (postnegotiation BATNA question: was asked vs. was not asked) × 2 (negotiated outcome vs. satisfaction) mixed design with repeated measures on the third factor.

Procedure and stimulus materials. The experiment was conducted as a class exercise. The same roles that were used in Experiment 2 were used in this negotiation, except this time the role of the seller was manipulated. Half of the sellers were told to focus on their target price, the ideal price they would like to receive for their plant, and the other half of the sellers were told to focus on their BATNA. After participants completed the negotiation, they were given a postnegotiation form. First, participants were asked to record the outcome for their negotiation. Then half of the participants were asked, "What was your best alternative to this negotiated agreement—the best price you could have gotten outside of this agreement? In negotiation terms this is referred to as a BATNA." These participants were next asked to rate their satisfaction with the outcome on a 7-point scale ranging from *not satisfied* (1) to *very satisfied* (7). The other half of the participants answered the satisfaction question immediately after reporting their outcome without listing their BATNA.

Results and Discussion

All negotiating dyads reached an agreement. To compare the objective outcome and the subjective evaluations of that outcome, we transformed the purchase price and the satisfaction ratings into *z* scores. The *z* scores were submitted to a 2 (negotiator focus: target price vs. reservation price) × 2 (postnegotiation BATNA question: was asked vs. was not asked) × 2 (outcome vs. satisfaction) mixed design with repeated measures on the third factor. A Focus × Repeated Measures interaction, $F(1, 33) = 9.70$, $p < .01$, was qualified by a significant three-way interaction, $F(1, 33) = 4.75$, $p = .04$ (see Table 1). Separate two-way interactions between negotiator focus and whether the BATNA question was asked were conducted on selling price and satisfaction. For selling price, only a marginal effect for negotiator focus was found, $F(1, 33) = 3.51$, $p = .07$. Sellers who focused on their target price (M = \$23.18 million, SD = \$2.55 million) sold the plant for a higher price than did sellers who focused on their BATNA (M = \$21.65 million, SD = \$2.42 million). For satisfaction, two main effects were qualified by a significant interaction, $F(1, 33) = 7.21$, $p = .01$. For sellers not asked the BATNA question, those who focused on their target price ($M = 4.87$, $SD = 0.64$) were less satisfied than were those sellers who focused on their BATNA ($M = 6.00$, $SD = 0.67$), $F(1, 16) = 13.09$, $p < .01$, replicating the results from Experiment 2. For sellers who were asked the BATNA question before the satisfaction question, however, the results were quite different: Sellers were as satisfied regardless of

Table 1
Outcomes and Satisfaction by Negotiator Focus and Whether BATNA Question Was Asked

	No BATNA question		BATNA question	
Negotiator focus	Target	BATNA	Target	BATNA
Outcome	22.75 (1.77)	21.15 (2.08)	23.61 (3.21)	22.10 (2.71)
Satisfaction	4.87 (0.64)	6.00 (0.67)	6.13 (0.83)	5.91 (0.83)

Note. Outcomes are in millions of dollars. Standard deviations are in parentheses. BATNA = best alternative to a negotiated agreement.

whether they focused on their target price ($M = 6.13$, $SD = .83$) or their BATNA ($M = 5.91$, $SD = 0.83$), $F < 1.00$.

In addition, the two-way interactions reported in the first two experiments emerged for those sellers not reminded about their BATNA, $F(1, 16) = 14.09$, $p < .01$, but were not significant for participants who were asked about their BATNA, $F < 1.00$.

Finally, for sellers who focused on their target price but were asked about their BATNA following the negotiation, there was a positive correlation between outcomes and satisfaction, $r(8) = .66$. In contrast, for those target-focused sellers not asked about their BATNA, there was a negative correlation between outcomes and satisfaction, $r(8) = -.22$, and the difference between these correlations was marginally significant, $z = 1.61$, $p < .06$, one-tailed. Introducing an opposing focal point enabled objective outcomes to be connected rather than disconnected to satisfaction.

For those negotiators not asked about their BATNA in the postnegotiation measure, the results replicated those of the first two experiments: Focusing on one's target price increased the value of the negotiated outcome but decreased satisfaction with that outcome, compared with focusing on one's BATNA. However, when an alternative focal point (i.e., BATNA) was made salient following the negotiation, the negative effects on satisfaction of focusing on one's target before and during the negotiation disappeared. Focusing on a target price before and during the negotiation while focusing on one's lower bound after the negotiation can allow objective outcomes to be connected rather than disconnected to satisfaction.

General Discussion

Across three experiments, we found a systematic disconnection between objective outcomes and evaluations of those outcomes. We have demonstrated for the first time in actual negotiations the effect of focal points on evaluations as well as a systematic disconnection between outcomes and evaluations. In the present experiments, the increases in outcomes and decreases in satisfaction were the result of the same behavior: negotiator focus. Negotiators who focused on their target price procured more positive outcomes but incurred more negative evaluations than did negotiators who focused on their lower bound in the negotiation, whether it was reservation prices or BATNAs. Negotiator focal points serve as goals before a negotiation but serve as evaluative standards after the negotiation. High goals increase performance (Locke & Latham, 1990), but high standards decrease satisfaction.

The effect of negotiator focus on outcomes was quite robust despite the fact that only one of the negotiator's roles was manipulated in a situation in which outcomes were contingent on mutual agreement. The consistent impact of negotiator focus on outcomes across the three experiments is thus all the more remarkable. In addition, the disconnection occurred regardless of whether the target prices were exogenously provided (Experiment 1) or were self-generated (Experiments 2 and 3), suggesting the robustness of the effect.

It should be noted that the contrast effects we obtained on participants' satisfaction ratings concur with people's naive theories about how people feel in a situation in which they do not obtain a given goal (e.g., Heath, Larrick, & Wu, 1999). This might imply that participants were constructing judgments consistent with naive theories without necessarily experiencing the full weight of their expressed dissatisfaction. The fact that similar contrastive consequences also hold in other paradigms in which the connection between a comparison standard and the outcome is less obvious (e.g., Mussweiler & Strack, 2000a) suggests that the critical ratings reflect an actual decrease in participants' satisfaction with their obtained outcome.

Achieving Objectively Superior Outcomes

One question that emerges from the present research concerns the processes that underlie the achievement of superior outcomes by target-focused negotiators. The numerical value of the outcome is clearly assimilated, in a statistical sense, to the salient focal point: High and aggressive focal points—target prices—lead to more favorable outcomes. Negotiator focal points attended to before the negotiation serve as goals, and high goals increase performance compared with low goals (Locke & Latham, 1990). But what psychological mechanisms are responsible for this effect? There are a number of processes that can contribute to the positive relationship between focal points and negotiated outcomes. First, negotiator focal points (and goals, more generally) can serve as anchors that help to selectively recruit information that is consistent with that anchor (Mussweiler & Strack, 2000b). It has been demonstrated that exposure to a judgmental anchor selectively increases the accessibility of anchor-consistent knowledge about the target (e.g., Mussweiler & Strack, 1999, 2000b). In the realm of negotiation, this suggests that an individual who is selling a car and is focused on a high anchor value (e.g., a target price) has semantic knowledge consistent with high prices (e.g., luxury features, reliability, low mileage) made selectively more accessible. This knowledge will help when the seller attempts to persuade the buyer to accept a high price for the car (Galinsky & Mussweiler, 2001). Negotiator focus also influenced the extremity of participants' first offer in the negotiations: Target-focused negotiators made more advantageous first offers than did BATNA-focused negotiators. Because anchors have a positive influence on estimates of numerical values, the construction of a first offer is affected by and assimilated to the point (i.e., target vs. BATNA) on which negotiators are focused. In addition, first offers have a powerful, assimilative influence on outcomes by affecting the counteroffers an opponent makes; that is, one's first offer anchors an opponent's counteroffers, partly by activating information consistent with that first offer in one's opponent (Galinsky & Mussweiler, 2001). The selective accessibility of anchor-consistent knowledge, the assimilative effect of focal points on first offers, and the assimilative effect of first offers on counteroffers and outcomes suggest that the underlying cognitive processes that contribute to the superior performance of target-based negotiators are assimilative in nature.

An additional mechanism, however, is contrastive in nature. It has been suggested that goals can be considered to be reference points that are used to divide outcomes into regions of desirable outcomes (i.e., gains or successes) and undesirable outcomes (i.e., losses or failures; Heath et al., 1999; Kahneman, 1992; Kahneman & Tversky, 1979). Heath et al. argued that goals can function like reference points and thus serve as evaluative standards, not only after performance has occurred but also before and during performance. That is, negotiators may evaluate the marginal benefit of making or receiving a particular concession by comparing it with

an accessible focal point. High goals are motivating because they place many potential outcomes in the domains of losses, which result in both loss aversion and heightened sensitivity to concessions near but below the high goal (i.e., target price). Heath et al. argued that goals increase performance by changing how each performance point (e.g., proposed settlement) is evaluated. Here, reference points change motivation by altering value, a contrastive effect. High goals lead negotiators to perceive each of their own concessions as more painful and each concession by their opponent above their reservation price as more valuable than do low goals. The value function—separation of outcomes into gains and losses—of reference points can increase performance and decrease satisfaction through the same contrastive mechanism.

The above analysis suggests that focal points can have a positive influence on negotiated outcomes through both assimilative and contrastive mechanisms. In fact, it is precisely because focal points can increase performance through the assimilative effect of anchors and the contrastive effect of the value function of reference points that makes their effect on outcomes so powerful. Despite the fact that a negotiator's performance depended on securing agreement from the opponent (which seems to decrease the probability of finding an effect of goals on outcomes), negotiator focus had a consistent effect on outcomes.

The Disconnection of Outcomes and Evaluations

In the present experiments, negotiator focus first affected outcomes and only later affected evaluations, but concerns over satisfaction can also lead to decreases in objective outcomes. For example, responders in ultimatum games may reject profitable offers because of accusations of unfairness, because of anger, and even out of spite (Pillutla & Murnighan, 1996). Spite is an emotion that, by definition, increases satisfaction, but at a cost to objective outcomes.

An improvement in satisfaction at an objective cost also occurs when individuals choose to negotiate with acquaintances rather than strangers. Although negotiators often prefer to negotiate with those they know because it increases their satisfaction with the exchange, relationship ties can lead to bargaining inefficiencies (Tenbrunsel, Wade-Benzoni, Moag, & Bazerman, 1998). Processes that increase outcomes can decrease evaluations, and concerns with expected satisfaction can undermine objective outcomes, suggesting that a one-to-one mapping between objective outcomes and evaluations of those outcomes is less typical than economic models predict.

Negotiator focus led to a systematic disconnection between outcomes and evaluations in the present experiments. Other mechanisms can also lead to a similar disconnection. The activation of counterfactual thoughts, for example, often causes outcomes and evaluations to become disconnected (Galinsky et al., 2002; Medvec et al., 1995; Medvec & Savitsky, 1997). Galinsky et al. (2002) found that the immediate acceptance of a negotiator's first offer, an atypical negotiation sequence but one that results in higher objective outcomes, activated counterfactual thoughts that led to decreased levels of satisfaction. Thinking about what might have been can lead people to be blind to the riches they have achieved.

The disconnection between outcomes and evaluations also raises questions over the future consequences of this disconnection. The activation of counterfactual thoughts, for example, can have both functional and dysfunctional consequences for future behavior (Galinsky et al., 2002; Roese, 1994). In a negotiation context, counterfactual thoughts lead negotiators to spend more time preparing for a subsequent negotiation, a functional effect. But when a negotiator's first offer is immediately accepted, he or she becomes less inclined to want to make a first offer in the future (Galinsky et al., 2002), despite the fact that making the first offer affords negotiators a powerful bargaining tool (Galinsky & Mussweiler, 2001). What might be the effects of procuring beneficial outcomes but incurring distressing evaluations? Does this lead to self-destructive behavior? If negotiators base the choice between different strategies (focusing on one's BATNA vs. focusing on one's target price) not on their objective outcomes but rather on their evaluations of the negotiated outcomes—which is likely to be the case—then in the future they may be more likely to select those strategies that produce worse objective outcomes, such as focusing on minimally acceptable points.

Even if negotiators do not abandon ship at the first sign of dissatisfaction and continue to focus on target prices, dissatisfaction may be a persistent problem. Although a target-focused negotiator may, over time, obtain profitable outcomes and an ever-increasing state of objective wealth, that negotiator may not be able to appreciate the rewards gained. This state of dissatisfaction despite increases in overall wealth is not unlike the hedonic treadmill, in which adaptation to improving circumstance prevents individuals from appreciating advances in objective wealth (Brickman & Campbell, 1971). Adaptation to any circumstance dramatically reduces variance in evaluations, resulting in such surprising findings as the fact that lottery winners end up being only marginally happier than paraplegics (Brickman, Coates, & Janoff-Bulman, 1978). Through adaptation, objective gains may fail to get translated into enduring increases in overall satisfaction. Adaptation and the hedonic treadmill, like reference points and counterfactual thoughts, can conspire to keep outcomes and evaluations perpetually disconnected.

Our third experiment points to a way out of this predicament. Focusing on their target price before and during the course of a negotiation and then focusing on their lower bound after the negotiation allowed negotiators to have their cake and eat it, too: objectively superior outcomes topped with an icing of satisfaction. In fact, focusing on one's BATNA after the negotiation not only increased satisfaction but also led outcomes and evaluations to be connected rather than disconnected.

The third experiment also raises important questions over the durability of the disconnection between evaluations and outcomes. Is the disconnection fragile or robust, temporary or enduring? On the one hand, negotiators may be motivated to find alternative focal points to assuage their current pain; thus, focusing on one's BATNA after the negotiation could be a strategy that naturally emerges. People do seem to possess a psychological immune system that sets off to repair their discontentment and reduce their dissonance (Gilbert, Pinel, Wilson, Blumberg, & Wheatley, 1998; Gilovich & Medvec, 1995). In addition, other events and information can intercede to decrease the observed disconnection between objective outcomes and evaluations. For example, discovering aggregate market information or specific social comparisons with which one's own outcome compares favorably could lead outcomes and evaluations to become connected.

However, there is other evidence to point to the durability of this disconnection. Medvec et al. (1995) quoted an Olympic silver medalist who, even at the age of 91, continued to lament his second place finish. Medvec et al. found that bronze medal winners were happier than silver medalists despite their objectively inferior outcome, not only immediately after performance but also later, on the medal stand. Other evidence in support of the durability of the disconnection comes from the literature on cognitive dissonance. Although dissonance is often reduced through self-affirmation (Steele, 1988), such reduction is vulnerable to reinstatement. If the affirmation gets invalidated in any way, then dissonance will remerge, sometimes to a greater extent than initially experienced (Galinsky, Stone, & Cooper, 2000). In addition, being reminded of a counterattitudinal act without the security of consonant cognitions, such as lack of free choice, can provoke dissonance a week later, even when no dissonance was initially experienced (Higgins, Rhodewalt, & Zanna, 1979). Other processes, such as adaptation, can, over time, conspire to sever a connection between outcomes and evaluations. It may be that whichever focal point—target price or BATNA—is attended to will determine the current state of negotiator satisfaction. Thus, participants who showed a reconnection in Experiment 3 and who were later reminded of their target price may have their dissatisfaction—and thus the disconnection between objective outcomes and satisfaction—reemerge. It is the strategic use of goals and standards, knowing when to focus on which one, that can lead negotiators to appreciate their objective gains.

The Dark Side of Setting High Goals

Although setting aggressive goals increases persistence, effort, and, ultimately, performance (Locke & Latham, 1990), these goals are not without their downsides. In the present experiments, focusing on a high goal—a target price—improved objective outcomes but left negotiators displeased with those outcomes. Similarly, comparing oneself with a high goal can improve performance on an intellectual task but leave one questioning one's overall intelligence (Mussweiler & Strack, 2000). Although setting high goals improves distributive outcomes, it can also increase bargaining inefficiencies. White and Neale (1994) found that focusing on extreme targets in a single-issue distributive negotiation can increase impasses even when a positive bargaining zone is present. When both negotiators set high goals and there are integrative possibilities in a multi-issue negotiation, outcomes also become Pareto-inefficient (Huber & Neale, 1987). Similarly, setting specific, challenging goals leads negotiators to focus on the distributive elements of a negotiation at the expense of those issues with integrative potential (Polzer & Neale, 1995). Thus, high goals help negotiators claim value, but they can prevent negotiators from creating value, from expanding the pie. Negotiators with challenging goals also are less likely to incorporate new information presented during the course of a negotiation (Polzer & Neale, 1995) and to learn from feedback about failing courses of actions (Larrick, Heath, & Wu, 2001). In trying to reach high goals, individuals choose riskier gambles and riskier strategies (Larrick et al., 2001). Setting high goals can thus not only lessen satisfaction and decrease evaluations of one's own abilities but also lead to unwise courses of action, the inability to learn from feedback and capitalize on new information, and, ultimately, bargaining inefficiencies.

Conclusion

Across three experiments, a systematic disconnection between objective outcomes and evaluations of those outcomes was observed. Focusing on a target price produced superior negotiated outcomes but lowered satisfaction with those outcomes, compared with focusing on a lower bound or minimally acceptable point. When the same focal point was attended to before, during, and after the negotiation, this disconnection between outcomes and evaluations appeared. However, when negotiators focused on target prices before and during the negotiation but used a different focal point following the negotiation (i.e., BATNA), then outcomes and evaluations became connected, with those who did better also feeling better. Negotiator focus has systematic effects on both outcomes and evaluations, and harnessing the benefits of each type of focal point can allow negotiators to enjoy the fruits of their successes.

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